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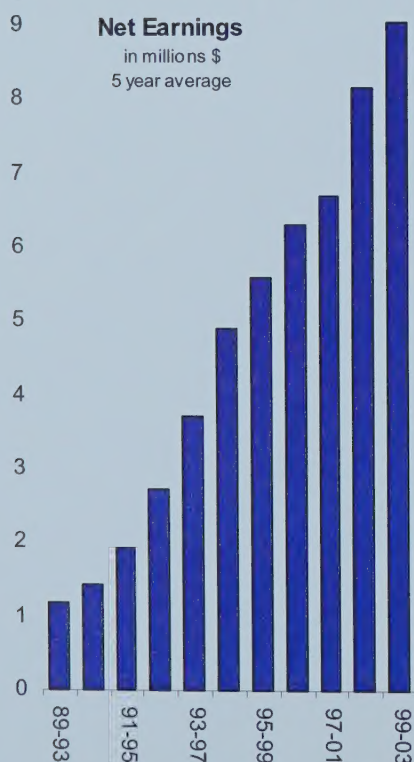
2003 Annual Report



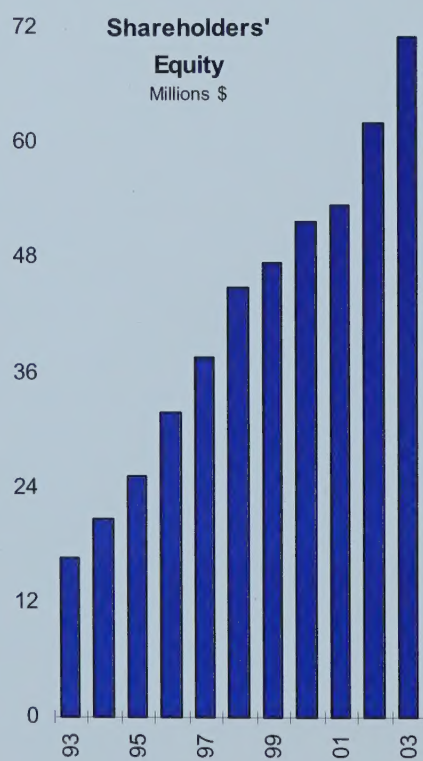
Ten Year Highlights

In thousands of Canadian dollars (except per share amounts)

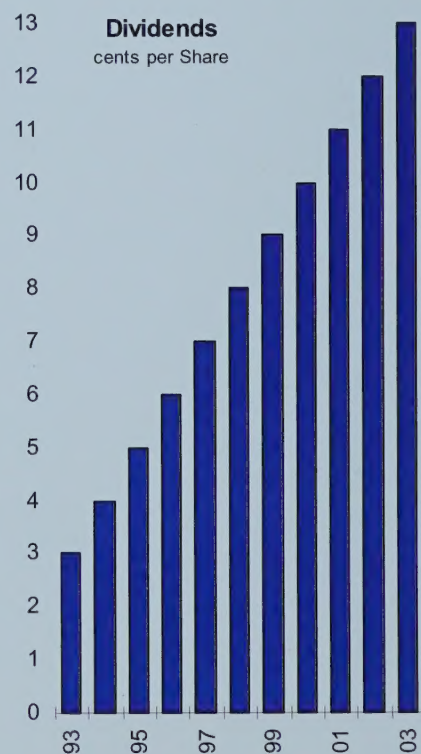
Year ended Sept. 30	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Revenue	48,040	56,575	66,517	85,375	89,194	79,961	116,700	187,633	232,619	181,162
Gross profit	13,052	16,522	21,288	27,060	29,243	26,207	30,302	31,410	49,485	41,233
EBITDA	5,848	8,593	11,709	15,668	17,595	14,488	15,882	14,518	26,202	21,874
Income from operations	6,574	9,063	12,207	16,313	17,420	14,943	16,789	16,527	29,727	25,098
As percentage of revenue	14%	16%	18%	19%	20%	19%	14%	9%	13%	14%
Shareholders equity	20,702	25,317	31,811	37,497	44,790	47,327	51,659	53,442	61,998	70,868
Capital expenditures-net	9,369	7,884	9,552	12,253	5,917	5,960	17,278	3,593	14,546	7,854
Number of employees	400	450	525	600	600	600	1,000	700	800	820
Earnings per share	0.12	0.18	0.22	0.26	0.29	0.24	0.30	0.30	0.58	0.51
Book value per share	1.04	1.22	1.38	1.57	1.80	1.93	2.13	2.27	2.70	3.08
Shares issued (millions)	20.0	20.8	23.0	23.9	24.9	24.5	24.2	23.5	23.0	23.0
Return on average capital	11%	18%	19%	24%	26%	18%	14%	8%	18%	13%
Return on average equity	13%	16%	18%	18%	17%	13%	15%	13%	23%	18%



2003 marks the 35th consecutive year of profit.



Equity has also increased for 35 consecutive years.



The Company increased dividends for the past 11 years.

To our Shareholders



John Buhler,
Chairman

Your company has now completed its 35th consecutive year of profit and equity increase.

The year was filled with challenges, such as Mad Cow Disease, a strong Canadian dollar and the need to increase the number of dealers for our Versatile division.

In spite of all these challenges, management was able to show an increase in gross margin from 21% to 23%, and increase EBITDA from 11% to 12%.

The Company invested \$3.7 million in development of new products and invested \$7.8 million in new equipment and facilities. These investments will contribute towards future growth of revenue and earnings.


I celebrated my 70th birthday this year and I am becoming

less active in the day to day operations of the Company. I have also decided to divest some of my share holdings over a ten year period in order to make more shares available to the public market. This will be done in an orderly manner and will likely have a positive effect on the stock price.

Management continues to operate the Company in a conservative manner, showing more concern for what the profits will look like five years forward, as compared to this year's profit. This is what good management is all about.

Congratulations to our management team and all of our employees that take so much pride in the success and the future of their Company.

Thank you.

A blue ink signature of John Buhler.

John Buhler,
Chairman & CEO

Management Discussion & Financial Analysis



Craig Engel,
President & COO

We did it! 2003 was the year we needed to launch our tractor products in the North American market and establish ourselves as an independent tractor and short line farm equipment manufacturer in the industry. The Company's management group and I are very pleased to report that we met our goals for Fiscal 2003 and are focused on continuing to grow all aspects of our business, with the conservative approach which has proven to be profitable.

Tractor Operations:

We have received an excellent response from our new and growing dealer base and their customers. Now, with over 200 dealer outlets in North America, our tractor products are increasing in exposure and accessibility. We continue to expand our dealer base with high quality dealers who are proving to be loyal to our style of product and business.

Short Line Products:

In addition to the successful introduction of our tractor products, we also focused on our long standing short line farm equipment. In spite of the serious implication of Mad Cow Disease (BSE) and the weakened US dollar, our front end loaders, grain augers, compact implements, as well as our Implement Sales Company Inc.'s operations in Indiana and Arkansas, all experienced record sales. Our hay and

forage equipment continues to expand in exposure, even though this product group was most affected by BSE. We will continue to expand the territories in which our hay and forage products are marketed, in order to increase sales and also reduce the impact of localized events.

Financial:

Our gross margin increased slightly over 2002, in spite of the weakened US dollar. Producing more of our own components through vertical integration allows us control of our product's cost, quality and delivery. This has all contributed to our ability to maintain or improve margins, without raising the selling price of our products.

Our GS&A as a percent of sales rose slightly from last year, primarily due to last year's abnormally high revenues. We expect our GS&A to remain under 9% of revenue.

Our 10 year average return on capital and return on equity are each between 16% and 17%. Through patient growth, we expect to see these percentages approach 20% as in the past.

Our accounts receivable and inventory levels have grown significantly during 2003. This is a direct result of discontinuing the "build and pay to order" tractor sales to New Holland, while at the same time, building our tractor dealer direct business. In order to properly service this new and growing dealer base, we increased inventories and provided wholesale financing programs to the tractor dealers, similar to the successful model used for our short

Management Discussion & Financial Analysis



Management Team, left to right: Jim Friesen, Grant Adolph, Min Lee, Andrey Gornik, Helen Bergen, Eric Allison, Jean-Guy Fillion, Rick Kneeshaw, Larry Schroeder,

line farm equipment. This allows the dealers to be competitive and react to retail sales, regardless of when the retail sale develops. Although this has resulted in increased operating debt and interest expense for the company, it is seen as a “necessary evil”, and more importantly, this is the most competitive way of penetrating and competing in the market place.

Acquisitions:

During 2003 we “Buhlerized” the acquisitions of 2002, ensuring they are following our business practices.

Fargo Subsidiary:

Our Fargo, ND factory continues to play an increasing role in our production plans. Select short line products have been relocated to this factory in order to take advantage of their unique process and capacity.

Buhler Machine Works Division:

Considerable investments were made in our Buhler Machine Works (BMW) division. We have added CNC turning centers and integrated a series of horizontal milling machines creating a flexible manufacturing system. This provides us with the latest in technology and machining efficiencies available in today’s market, and this permits us to continue in-sourcing more production of components as we continue to vertically integrate.

BrekMar FRP Division:

Our BrekMar division continues to supply our tractor factory, as well as our other factories, with Fibre Reinforced Plastic (FRP) components. In addition, this division has

begun to supply FRP components to other farm equipment manufacturers in North America.

Research and Development:

R&D expenses were \$3.7 million this year. We continued our commitment to keep all our products current and viable, as our future depends on our products’ competitiveness in the market place. Future R&D expenses are expected to remain similar to this year’s amount and is sufficient to achieve our goal of improving the value of our products.

Next Year:

Fiscal 2004 will be a year where we will continue to prove ourselves. It is our goal to continue to service our customers with a high level of product value and timely professional service. Our products “speak for themselves”, and so our aim is to sell more product into the North American marketplace so that it can speak to our credit.

The management team and I are pleased with the results of 2003. We are focused and committed to growing our Company.

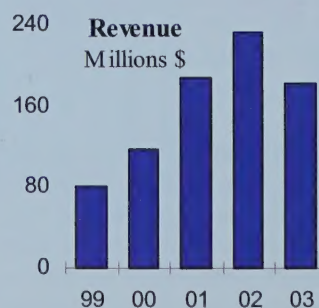
I am also confident that acquisition opportunities will continue to present themselves. When and where appropriate, we will be eager to expand our Company through these acquisitions.

Craig Engel

President and Chief Operating Officer

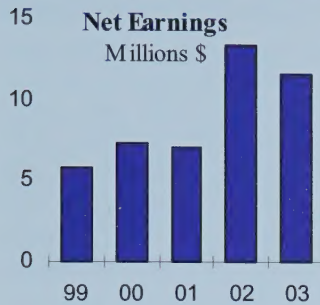
Sept 30, 2003

Sales and Growth

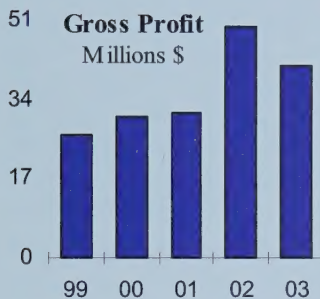


Revenue of \$181 million for 2003 was down by 22% from last year. Revenue should increase next year, but will not reach the high of 2002. If commodity prices and the farm economy continue to improve, we could see better than forecast revenue.

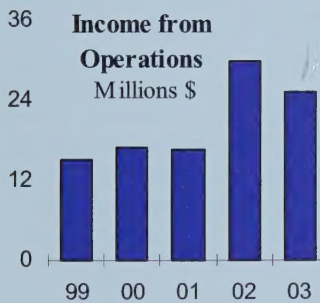
Management Discussion & Financial Analysis



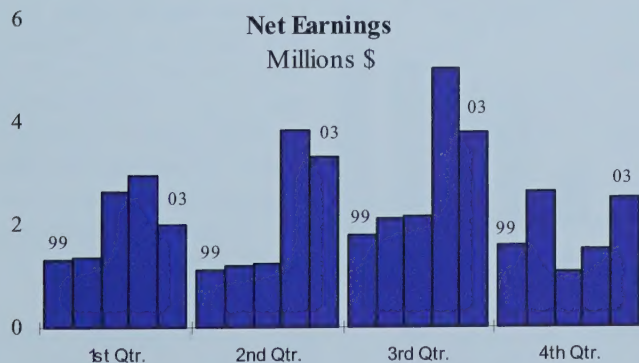
Earnings were on target at \$11.6 million, down from \$13.4 million last year. We are forecasting a small increase in earnings for 2004, but do not expect to meet the level of 2002. Costs are under control and any improvement in the farm economy will add to net earnings.



Gross profit of \$41.2 million is also down from last year's record \$49.5 million, but well ahead of the 5 year average of \$35.7 million. Gross profit as a percentage of revenue has improved to 22.8% from 21.3% last year.



Income from operations of \$25.1 million is below last year's record of \$29.7 million, but well ahead of the 5 year average of \$20.6 million. The 2003 operating income as a percentage of revenue is 13.8% and in line with the 5 year average of 13.7%.



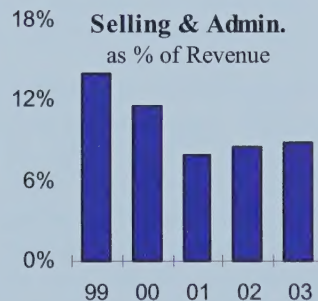
As reflected in the above chart, the impact of ending the CNH contract in Q3, 2002 was not as severe as we had expected. Revenue and earnings from our core products are improving and we are particularly pleased with the 3rd consecutive increase in Q4 earnings. We now have over two hundred tractor dealer locations and are forecasting improved earnings in each of the next 4 quarters.



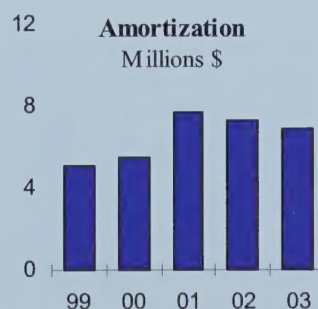
Earnings per share of \$0.51 are down from last year, but a significant improvement over previous years. We are forecasting a slight improvement in earnings for fiscal 2004.

Quarterly Net Earnings Results

000's	2003	2002	2001	2000
1st Quarter	1,985	2,950	2,625	1,343
2nd Quarter	3,336	3,831	1,258	1,200
3rd Quarter	3,782	5,059	2,150	2,103
4th Quarter	2,527	1,520	1,082	2,652



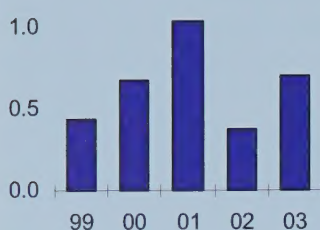
This year's SG&A expense as a percentage of revenue is 8.9% and is higher than last year's 8.5%. Management has been able to control this expense at a time when revenue was down. We believe we can hold these expenses under 9% in future.



Amortization expense for this year was \$6.9 million. It is expected to remain at this level for a few years due to the purchase of almost \$50.0 million of capital assets in the past five years. These assets will contribute towards future earnings.

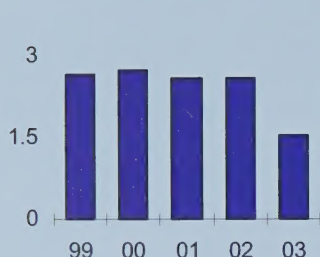
Management Discussion & Financial Analysis

Net Interest Exp.
Millions \$



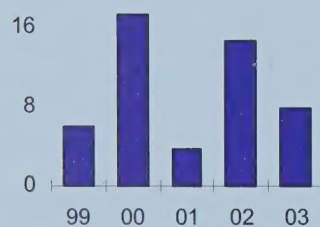
Net interest expense increased this year as forecast due to the higher level of borrowing that is required for financing inventory and receivables for the tractor business. We believe that interest cost will decline in the future.

Inventory Turns



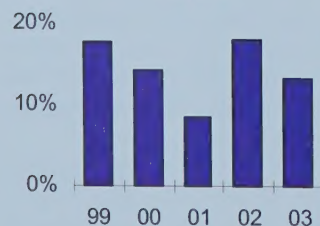
We are not satisfied with the reduction in inventory turns from 2.6 to 1.5, however, effort will be made in 2004 to bring it back to the levels of previous years. The bump in inventory is mostly due to the increase in tractor inventory.

Asset Purchases
Millions\$



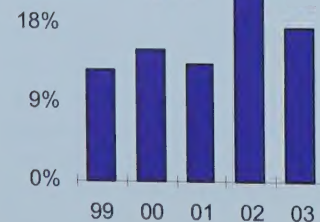
Over the past 10 years, the Company has purchased \$93.0 million of capital assets, including some major acquisitions. Capital assets are constantly being upgraded to ensure that the latest and most efficient equipment is utilized in order to maximize profits.

Return on Capital



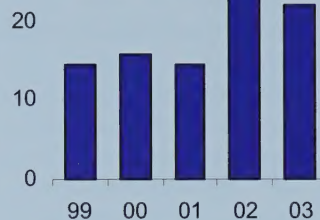
Return on capital of 13% is down from our 5 year average of 14% or the 10 year average of 17%. ROC is calculated by dividing the earnings before interest and taxes by the sum of bank debt, long term debt, leases and total equity. The Company has no leases.

Return on Equity



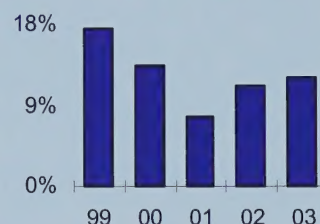
As forecast, the return on equity of 18% is down from last year's 23%, but well ahead of our 10 year average of 16%. We believe there is still room for improvement in this very important indicator.

EBITDA
Millions \$



Earnings Before Interest Taxes and Depreciation (EBITDA) of \$22 million is down from last year's record \$26 million. The average EBITDA for the past five years is \$19 million. We expect EBITDA will continue to improve.

EBITDA
as % of Revenue



EBITDA as a percentage of revenue is now at 12% and has improved for three consecutive years. The Company's ten year average is 15% and we believe this number is again achievable.

Corporate Governance

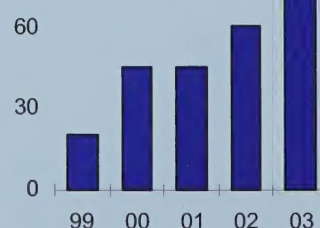
Complete governance details are described in the Annual Information Form and Proxy Circular.

Risks

Management considers fluctuations in commodity prices and fluctuations in the Canadian dollar to be a normal part of conducting business in this industry. Going forward the Company considers the degree of risk to be minimal

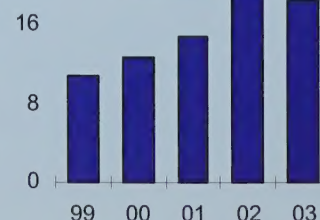
Liquidity

Working Capital
Millions \$



Working capital is showing constant improvement and now stands at \$83 million compared with \$61 million last year. The healthy working capital position makes it possible for the Company to take advantage of future acquisitions, should they arise.

Net Cash Flow
Millions \$



The Company generated cash flow of \$19 million, down from \$21 million last year, showing a nice trend and well over the five year average of \$16 million. Cash flow is the sum of net after tax earnings plus amortization.

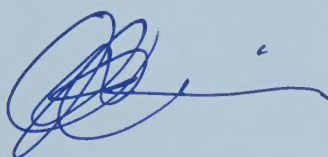
Management's Responsibility For the Financial Statements

The consolidated financial statements of Buhler Industries Inc. were prepared by management in accordance with accounting principles generally accepted in Canada applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

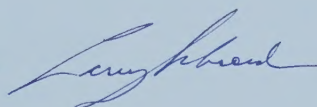
Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board is responsible for reviewing the annual consolidated financial statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's Auditors and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.



James H. Friesen
Chief Financial Officer
November 28, 2003



Larry Schroeder
Vice President

Auditor's Report

To The Shareholders of Buhler Industries Inc.

We have audited the consolidated balance sheet of Buhler Industries Inc. as at September 30, 2003 and 2002 and the consolidated statement of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

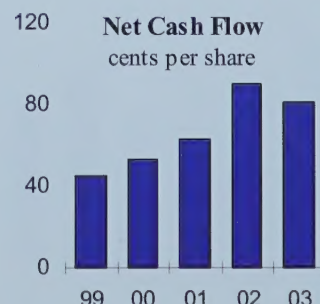
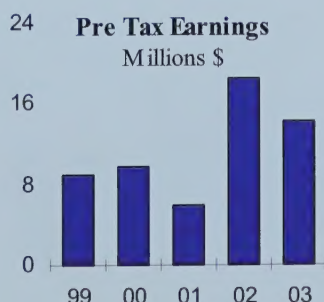
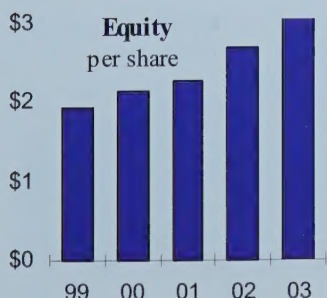
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
November 28, 2003



Gislason Targownik Peters
Certified General Accountants



Consolidated Statements of Earnings

For the years ended September 30 (\$000's)

	2003		2002	
Revenue	\$ 181,162		\$ 232,619	
Cost of goods sold	<u>139,929</u>		<u>183,134</u>	
Gross Profit	41,233	22.8%	49,485	21.3%
Selling & administration expenses	<u>16,135</u>	8.9%	<u>19,758</u>	8.5%
Income from Operations	25,098	13.9%	29,727	12.8%
Gain on disposal of assets	(726)		(134)	
Interest expense	703		369	
Amortization	6,894		7,339	
Research and development costs	3,683		2,850	
Non-controlling interest	<u>267</u>		<u>809</u>	
Net Earnings before Taxes	14,277	7.9%	18,494	8.0%
Income Taxes (note 10)	<u>2,647</u>	18.5%	<u>5,134</u>	27.8%
NET EARNINGS	\$ 11,630	6.4%	\$ 13,360	5.7%

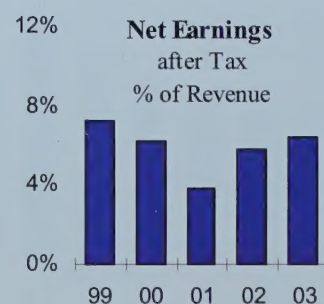
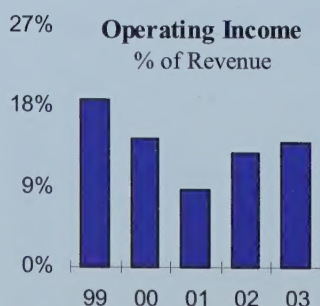
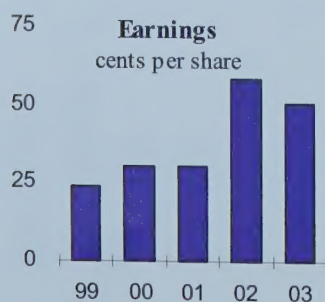
Consolidated Statements of Retained Earnings

For the years ended September 30 (\$000's) except per share amounts

Retained Earnings beginning of year	\$ 44,118	\$ 35,212
Net earnings for the year	11,630	13,360
Dividends	(2,760)	(2,584)
Retirement of shares	-	(1,870)
Retained Earnings end of year	\$ 52,988	\$ 44,118

Earnings per share

Basic	\$ 0.51	\$ 0.58
Fully diluted	\$ 0.51	\$ 0.58



Consolidated Balance Sheets

For the years ended September 30 (\$000's)

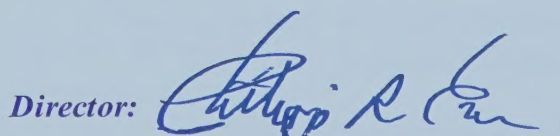
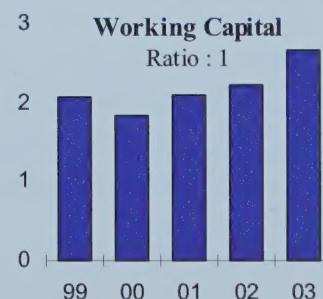
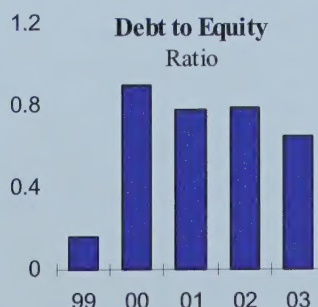
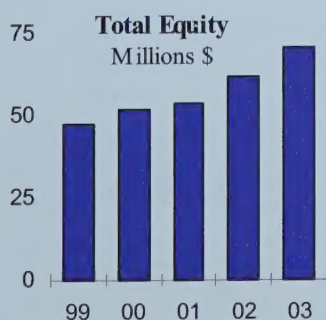
	2003	2002
ASSETS		
Current Assets		
Accounts receivable	\$ 40,694	\$ 39,188
Inventories (note 2)	90,495	70,361
Prepaid expenses	1,083	906
Total Current Assets	132,272	110,455
Capital assets (note 3)	43,454	43,916
Future income taxes (note 10)	2,380	1,780
Investments - at cost	175	154
Total Assets	\$ 178,281	\$ 156,305
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 4)	\$ 16,560	\$ 14,258
Account payable and accrued liabilities	28,287	31,806
Income taxes payable	1,623	3,001
Current portion of long term debt	3,272	795
Total Current Liabilities	49,742	49,860
Advances from related party (note 5)	11,179	11,635
Long term debt (note 7)	29,398	31,055
Total Liabilities	90,319	92,550
Non-controlling interest (note 8)	17,094	1,757
SHAREHOLDERS' EQUITY		
Share capital (note 11)	17,880	17,880
Retained earnings	52,988	44,118
Total Shareholders' Equity	70,868	61,998
Total Liabilities and Equity	\$ 178,281	\$ 156,305

Approved on behalf of the Board:

Director:



Director:

Consolidated Statement of Cash Flows

For the years ended September 30 (000's)

	2003	2002
Cash provided by (used in) operating activities		
Net earnings	\$ 11,630	\$ 13,360
Add (deduct) non-cash items		
Amortization	6,894	7,339
Gain on disposal of assets	(726)	(134)
Gain on foreign exchange	(93)	(88)
Future income taxes	(600)	881
	<u>17,105</u>	<u>21,358</u>
Net change in non-cash working capital balances*	<u>(26,714)</u>	<u>(20,037)</u>
	<u>(9,609)</u>	<u>1,321</u>
Investing activities		
Purchase of capital assets, net of investment tax credits	(7,854)	(14,546)
Proceeds on sale of capital assets	2,148	799
Investments	(21)	(112)
	<u>(5,727)</u>	<u>(13,859)</u>
Financing activities		
Issuance of share capital	-	34
Retirement of shares	-	(2,255)
Increase in long term debt	820	-
Increase in non-controlling interest	15,337	1,757
Advances (repayment) from related party	(456)	11,179
Dividends paid	(2,760)	(2,584)
	<u>12,941</u>	<u>8,131</u>
Foreign exchange gain on cash held in foreign currency	<u>93</u>	<u>88</u>
Net cash provided (used) in the year	<u>(2,302)</u>	<u>(4,319)</u>
Bank indebtedness, beginning of year	<u>(14,258)</u>	<u>(9,939)</u>
Bank indebtedness, end of year	<u>\$ (16,560)</u>	<u>\$ (14,258)</u>
*Net change in non-cash working capital balances is comprised of:		
Accounts receivable	\$ (1,506)	(12,443)
Inventories	(20,134)	(10,182)
Prepaid expenses	(177)	(374)
Accounts payable, accrued liabilities and taxes payable	(4,897)	2,962
Net cash provided (used)	<u>\$ (26,714)</u>	<u>\$ (20,037)</u>

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and all of its subsidiaries, including a 50% joint venture interest in Bradley Steel Processors Inc., which is accounted for using proportionate consolidation.

(b) Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) and net realizable value. It is the Company's policy to record provisions for obsolete and slow moving inventory based on management estimates. These estimates are necessarily subject to a degree of measurement uncertainty.

(c) Capital assets and amortization

Capital assets are recorded at cost less accumulated amortization and related investment tax credits. Amortization is provided over the estimated useful lives using the following rates and methods:

Buildings	4 to 5%	Straight line
Equipment	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired

(d) Foreign currency translation

The accounts of the United States subsidiaries, which are considered integrated foreign operations, have been translated into Canadian dollars on the following basis:

- 1) monetary assets and monetary liabilities at the year-end rates of exchange;
- 2) non-monetary assets and related amortization at rates prevailing at dates of transactions;
- 3) revenue and expense items, other than amortization, at the average rate for year.

The resulting currency translation gains and losses are included in earnings.

(e) Financial instruments

Foreign exchange and interest rate risk

These are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to interest rate or foreign exchange rate risk.

Other risks

The Company is exposed to credit risk on its accounts receivable. Going forward, as part of the Company's risk management, the Company will assume some risk in insuring some of its widely held assets.

Fair value

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

2. INVENTORIES (000's)	2003	2002
Land for development	\$ 2,593	\$ 2,375
Finished goods	50,245	36,223
Work in process	4,263	10,642
Raw materials	33,394	21,121
	<u>\$ 90,495</u>	<u>\$ 70,361</u>

3. CAPITAL ASSETS (000's)			2003	2002
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Land	\$ 4,763	\$ 0	\$ 4,763	\$ 4,912
Buildings	30,392	9,970	20,422	20,974
Equipment	46,423	29,466	16,957	16,241
Computers	3,590	2,401	1,189	1,442
Software & tools	<u>3,051</u>	<u>2,928</u>	<u>123</u>	<u>347</u>
	\$ 88,219	\$ 44,765	\$ 43,454	\$ 43,916

4. BANK INDEBTEDNESS

The Company has available a financing facility with the Bank of Montreal in the amount of \$23,600,000. The credit facility is secured by a mortgage, debenture, general security agreement and assignment of receivables and inventory. All interest rates are at prime or less.

5. ADVANCES FROM RELATED PARTY

The advance from related party is from the majority shareholder, holding 67% of the shares of the Company. The advance is non-interest bearing with no specific terms of repayment. The advance fluctuates throughout the year and the shareholder reserves the right to charge interest at bank prime in the event that it becomes a permanent facility. The Company has provided a \$5 million guarantee to the Bank of Montreal to secure a loan to the majority shareholder.

The Company has provided a letter of credit for \$665k (2002 - \$665k) to the Bank of Montreal to secure a line of credit for an entity in which the majority shareholder has a significant influence.

6. RELATED PARTY TRANSACTIONS

Included in these financial statements are the following related party transactions: accounts receivable of \$443k (2002 - \$120k) and revenue of \$839k (2002 - \$756k) and proceeds of \$550k from sale of capital assets having a book value of \$468k from companies controlled by officers or immediate family members of management; accounts receivable of \$8,235k (2002 - \$7,885) and revenue of \$54k (2002 - \$49k) from enterprises in which the majority shareholder has a significant influence; inventory of \$167k (2002-\$0) acquired from a company in which the majority shareholder has a significant interest; \$280k (2002-\$0) for the acquisition of shares of a corporation controlled by the majority shareholder; \$839k (2002 - \$354) for capital expenditures and repairs and maintenance paid to an enterprise in which the majority shareholder has a significant influence; \$270k (2002 - \$455k) paid to the controlling shareholder for management services and \$113k (2002 - \$90k) paid to an immediate family member of the controlling shareholder. All transactions with related parties are recorded at the exchange amount agreed to by the related parties.

7. LONG TERM DEBT (000's)	2003	2002
Long term debt	\$ 32,670	\$ 31,850
Current portion	3,272	795
Long term portion	<u>\$ 29,398</u>	<u>\$ 31,055</u>

The unsecured, interest free, Industry Canada loan is repayable in 120 equal monthly installments of \$265,000 commencing July 31, 2003. The U.S. Bank loan (State of North Dakota interest free loan) is repayable over 10 years and is secured by Company assets. \$3,272,000 is repayable annually over the next 5 years. In the event of default of the Industry Canada Loan, the entire balance then outstanding shall, after the expiry of 30 days, bear interest and become due and payable in accordance with the Interest and Administrative Charges Regulations enacted pursuant to the Financial Administration Act of Canada.

8. NON-CONTROLLING INTEREST

During the 1999 fiscal year, Buhler Industries Inc. created a controlled manufacturing partnership operating as Buhler Manufacturing, through which a significant portion of the manufacturing activity is now conducted. The partnership was formed to optimize the organizational structure and efficiency of the Company.

The non-controlling interest represents a partner's interest in the assets, liabilities & income in the partnership. The partnership's financial activities have been accounted for by consolidation. The Company has provided a \$20 million dollar guarantee, for a fee, to the Bank of Montreal to secure a loan to the new partner. These proceeds were used by the new partner to invest in the partnership.

9. INTEREST PAID (000's)	2003	2002
Operating loan	\$ 717	\$ 393
Long term debt	0	0
	<u>\$ 717</u>	<u>\$ 393</u>

Notes to Consolidated Financial Statements

10. INCOME TAXES (000's)

	2003	2002
At Canadian statutory rate	\$ 6,901	\$ 6,119
Losses utilized during the year	(365)	(1,107)
Manufacturing Profits deduction	(789)	(753)
Future taxes		
Loss carry forward	161	1,024
Timing differences	(761)	(143)
Total future taxes	(600)	881
Tax credits and other	(2,500)	(6)
Income tax provision	\$ 2,647	\$ 5,134

Loss Carried Forward & Tax Credits

The Company has non-capital loss carry forwards of \$601, expiring in 2009 and thereafter, that are available to be applied against certain taxable income in future years. The potential tax benefits that will result from claiming these have been recognized. Income taxes paid during the year were \$4,630 (2002-\$2,065)

Future income taxes are recorded to reflect the timing differences arising in the deduction of warranty costs for tax purposes from the year in which they are accounted for and from the amounts of amortization provided in the year compared to the allowances deducted for income tax purposes. Future tax benefits are composed of a liability of \$361 relating to amortization of capital assets, a benefit of \$2,496 in respect of provisions for warranty, and a benefit of \$245 relating to unused tax losses.

11. CAPITAL STOCK AND OPTIONS (000's)

Authorized, an unlimited number of common shares.

	2003		2002	
	No. of	\$	No. of	\$
	Shares		Shares	
Issued as at Sept. 30	23,000	\$17,880	23,000	\$17,880
Options exercised & shares cancelled (net)	nil	\$ nil	(483)	\$ (350)

There are no options outstanding as of September 30th, 2003.

12. SEGMENTED INFORMATION (000's)

The Company has organized its business between agricultural and non-agricultural operations due to the differences in the products and approaches in marketing and manufacturing in both segments. The agricultural equipment segment produces a wide variety of agricultural equipment, whereas the non-agricultural operations consist primarily of custom metal fabrication.

	2003		2002	
	Canada	US	Canada	US
Revenue	\$ 167,800	\$ 13,400	\$ 221,600	\$ 11,000
Earnings	11,500	130	12,900	500
Capital Assets	38,500	5,000	38,400	5,500
	Ag	Non-Ag	Ag	Non-Ag
Revenue	\$ 169,200	\$ 12,000	\$ 210,700	\$ 21,900
Interest revenue	672	323	412	87
Interest expense	1,202	496	349	44
Earnings	10,700	930	12,200	1,200
Assets	172,000	6,300	150,000	6,300

Included in Canadian revenue are export sales, primarily to the United States, of \$102 million (2002 - \$101 million). The accounting policies of the segments are the same as described in the note for significant accounting policies. The Company accounts for inter-segment sales at current market prices. Revenue from the top two customers was \$10 million and \$7 million, both in the agricultural segments.

13. DEFERRED PROFIT SHARING PLAN

In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company contributes funds to the plan annually as determined by the Board of Directors, subject to certain maximum limits established by the plan. Contributions are used to purchase common shares of the Company for the employees from the plan trust. In 2003, the Company contributed \$150,000 to the plan (2002-\$150,000). The plan trust owns approximately 1.3 million Buhler shares.



Company Profile

Buhler Industries Inc. was established in 1933 and operated as Standard Gas Engine Works until the founder, Mr. Adolf Krushel, sold the Company to John Buhler in 1969. The Company has since grown to become a significant player in the farm equipment industry.

Today, the Company operates 10 modern manufacturing plants and seven distribution centres totaling over 1.5 million square feet of facilities and employing over 800 people. The Company remains strongly committed to its core business as a

manufacturer of a wide range of agricultural equipment marketed throughout North America under the brand names: "Buhler", "Allied", "Farm King", "Inland" and "Buhler Versatile".

In 2000 the Company purchased the only tractor manufacturing plant in Canada. Ranging from 145 hp to 425 hp, the tractors became the perfect compliment to the Company's long standing portfolio of short-line farm equipment, which includes grain augers, 3-point hitch attachments, front end loaders and haying equipment.

Audit Committee

Philipp R. Ens, Chairman
Allan L.V. Stewart
James H. Friesen
Craig Engel

Legal Counsel

Perlov Stewart Lincoln
Winnipeg, Manitoba

Exchange Listing

The shares of Buhler Industries Inc. are listed on the Toronto Stock Exchange and trading under the symbol "BUT".

Corporate Banker

Bank of Montreal
Winnipeg, Manitoba

Cusip Number

119 918 100

Transfer Agent

Computershare Trust Company of Canada
Winnipeg, Manitoba

Corporate Office

1201 Regent Avenue West,
Winnipeg, Manitoba, R2C 3B2
Ph: (204) 661-8711, Fax: (204) 654-2503
Web site: www.buhler.com

Auditors

Gislason Targownik Peters
Winnipeg, Manitoba

Annual Meeting

The annual meeting of shareholders will be held on Saturday, Jan. 31st, 2004, 11:00 am, at The Fairmont Hotel, Portage & Main, Winnipeg, Manitoba.

Directors, Officers and Senior Management

Name	Office	Principal Occupation
John Buhler	Chairman/Officer	CEO, Buhler Industries Inc.
Bonnie Buhler	Director	Highland Park Financial Inc.
Philipp Ens	Director	Chairman, Triple E Canada Inc.
Craig Engel, <i>P.Eng.</i>	Director/Officer	President and COO, Buhler Industries Inc.
James H. Friesen, <i>C.M.A.</i>	Director/Officer	Secretary and CFO, Buhler Industries Inc.
Allan Stewart, <i>B.A., LL.B.</i>	Director	Lawyer, Perlov Stewart Lincoln
Jean-Guy Fillion, <i>C.G.A.</i>	Officer	Vice President, Buhler Industries Inc.
Larry Schroeder	Officer	Vice President Marketing, Buhler Industries Inc.
Grant Adolph, <i>P.Mgr.</i>	Management	Operations Manager, Buhler Versatile Inc.
Eric Allison	Management	Manager, OEM Division
Helen Bergen, <i>C.H.R.P.</i>	Management	Manager, Human Resources, Buhler Industries Inc.
Andrey Gornik, <i>P.Eng.</i>	Management	Operations Manager, Inland Division
Rick Kneeshaw, <i>C.I.M.</i>	Management	Operations Manager, Morden Division
Min Lee, <i>I.S.M.</i>	Management	Chief Information Officer, Buhler Industries Inc.

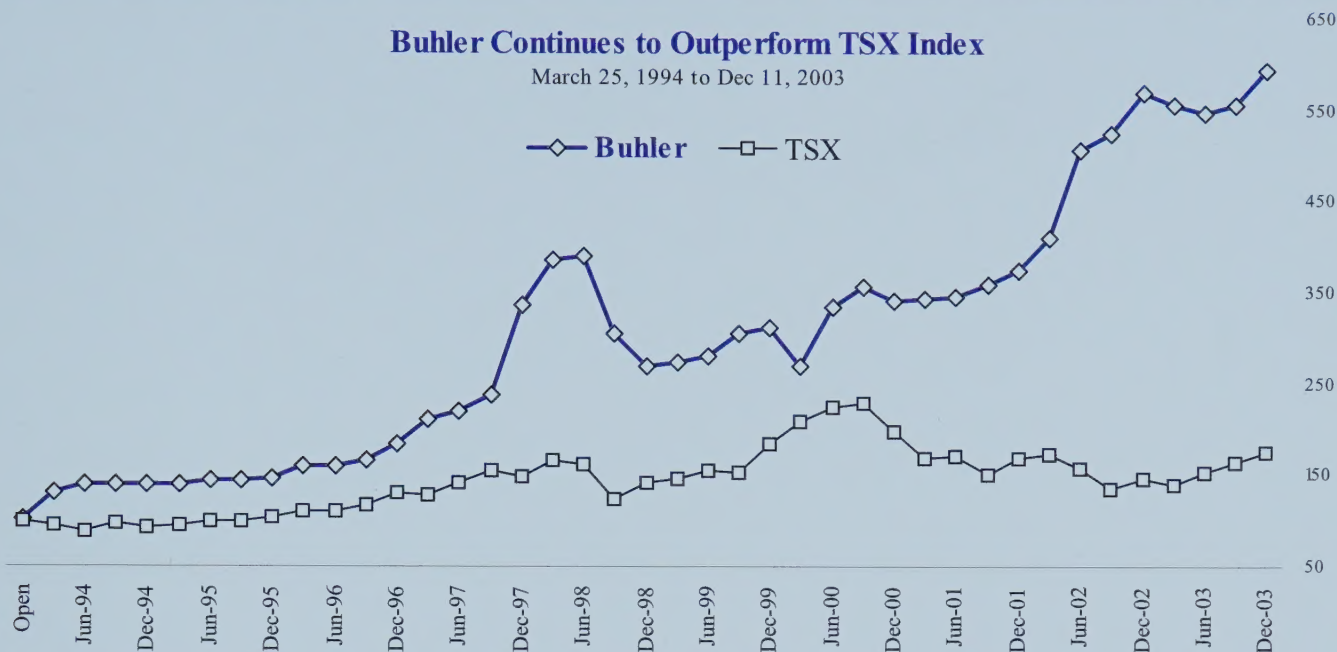
Ten Year Summary

Year Ended September 30,	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
In thousands of Canadian dollars (except per share amounts)										
SUMMARY OF OPERATIONS										
Revenue	48,040	56,575	66,517	85,375	89,194	79,961	116,700	187,633	232,619	181,162
Cost of goods sold	34,988	40,053	45,229	58,315	59,951	53,754	86,398	156,223	183,134	139,929
Gross profit	13,052	16,522	21,288	27,060	29,243	26,207	30,302	31,410	49,485	41,233
Selling & admin. expense	6,478	7,459	9,081	10,747	11,823	11,264	13,513	14,883	19,758	16,135
Income from operations	6,574	9,063	12,207	16,313	17,420	14,943	16,789	16,527	29,727	25,098
Gain on sale of capital assets	-	-	-	-	(727)	(346)	(1,039)	(733)	(134)	(726)
Interest expense	518	1,063	679	457	458	434	671	1,032	369	703
Amortization	2,416	2,727	3,685	4,809	4,808	5,126	5,520	7,684	7,339	6,894
Research & development exp.	726	470	498	645	552	577	1,043	1,895	2,850	3,683
Non-controlling interest	-	-	-	-	-	224	903	847	809	267
Net Earnings before taxes	2,914	4,803	7,345	10,402	12,329	8,928	9,691	5,802	18,494	14,277
Income taxes	493	1,100	2,212	4,271	5,216	3,131	2,393	(1,313)	5,134	2,647
NET EARNINGS	2,421	3,703	5,133	6,131	7,113	5,797	7,298	7,115	13,360	11,630
CASH FLOW SUMMARY										
Capital asset purchases	9,369	7,884	9,552	12,253	5,917	5,960	17,278	3,593	14,546	7,854
Long-term debt incurred	-	2,587	-	1,201	-	2,417	31,656	-	-	-
Reduction of long-term debt	40	-	1,689	-	7,696	-	-	2,894	795	1,657
Dividends	623	832	1,097	1,432	1,703	1,992	2,209	2,435	2,584	2,760
Net cash flow	5,150	6,430	8,573	10,940	11,921	10,923	12,818	14,799	20,699	18,524
Bank cash (indebtedness)	(3,713)	365	(1,576)	(2,724)	(2,348)	(4,043)	(12,040)	(9,939)	(14,258)	(16,560)
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	7,912	8,616	13,386	12,352	12,996	13,793	46,789	27,277	40,094	41,777
Inventory	10,418	12,792	13,188	16,586	19,014	20,610	52,846	60,179	70,361	90,495
Total current assets	18,330	21,408	26,574	28,938	32,010	34,403	99,635	87,456	110,455	132,272
Total assets	36,622	44,180	54,341	60,716	61,139	74,843	149,073	127,531	156,305	178,281
Total current liabilities	9,588	9,731	16,108	16,131	13,004	14,195	54,038	41,783	49,860	49,742
Total short and long term debt	9,459	10,409	10,034	11,246	5,741	7,587	47,240	42,245	57,743	60,409
Total liabilities	15,920	18,863	22,530	23,219	16,349	27,516	97,414	74,089	94,307	107,413
Total shareholders equity	20,702	25,317	31,811	37,497	44,790	47,327	51,659	53,442	61,998	70,868
Shares o/s (avg. in millions)	20.0	20.8	23.0	23.9	24.9	24.5	24.2	23.5	23.0	23.0
Working capital	8,742	11,677	10,466	12,807	19,006	20,208	45,597	45,673	60,595	82,530
DATA PER COMMON SHARE										
Revenue	\$ 2.40	\$ 2.72	\$ 2.89	\$ 3.57	\$ 3.57	\$ 3.27	\$ 4.82	\$ 7.98	\$ 10.11	\$ 7.88
EBITDA	0.29	0.41	0.51	0.66	0.71	0.59	0.66	0.62	1.14	0.95
Price to EBITDA	4.8	3.5	3.3	3.6	4.3	5.2	5.4	5.8	4.6	5.9
EBIT	0.17	0.28	0.35	0.45	0.51	0.38	0.43	0.29	0.82	0.65
Net earnings	0.12	0.18	0.22	0.26	0.29	0.24	0.30	0.30	0.58	0.51
Price to earnings	11.57	8.14	7.44	9.32	10.68	12.91	11.85	11.90	9.04	11.02
Cash flow	0.26	0.31	0.37	0.46	0.48	0.45	0.53	0.63	0.90	0.81
Dividends for year	0.04	0.05	0.06	0.07	0.08	0.09	0.10	0.11	0.12	0.13
Closing share price	1.40	1.45	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57
Shareholders' equity	1.04	1.22	1.38	1.57	1.80	1.93	2.13	2.27	2.70	3.08
STATISTICAL DATA										
Current ratio	1.9	2.2	1.6	1.8	2.5	2.4	1.8	2.1	2.2	2.7
Int. bearing debt to equity ratio	0.5	0.3	0.3	0.3	0.1	0.1	0.2	0.2	0.2	0.2
Number of shareholders	650	1,000	1,350	1,600	1,700	1,700	1,600	1,600	1,600	1,600
Inventory turnover	3.4	3.1	3.4	3.5	3.2	2.7	2.8	2.6	2.6	1.5
Gross margin (% of revenue)	27%	29%	32%	32%	33%	33%	26%	17%	21%	23%
SG&A (% of revenue)	13%	13%	14%	13%	13%	14%	12%	8%	8%	9%
EBITDA (% of revenue)	12%	15%	18%	18%	20%	18%	14%	8%	11%	12%
Net earnings (% of revenue)	5%	7%	8%	7%	8%	7%	6%	4%	6%	6%
Return on average capital	13%	18%	21%	24%	26%	18%	14%	8%	18%	13%
Return on average equity	13%	16%	18%	18%	17%	13%	15%	13%	23%	18%

Stock Data

Buhler Continues to Outperform TSX Index

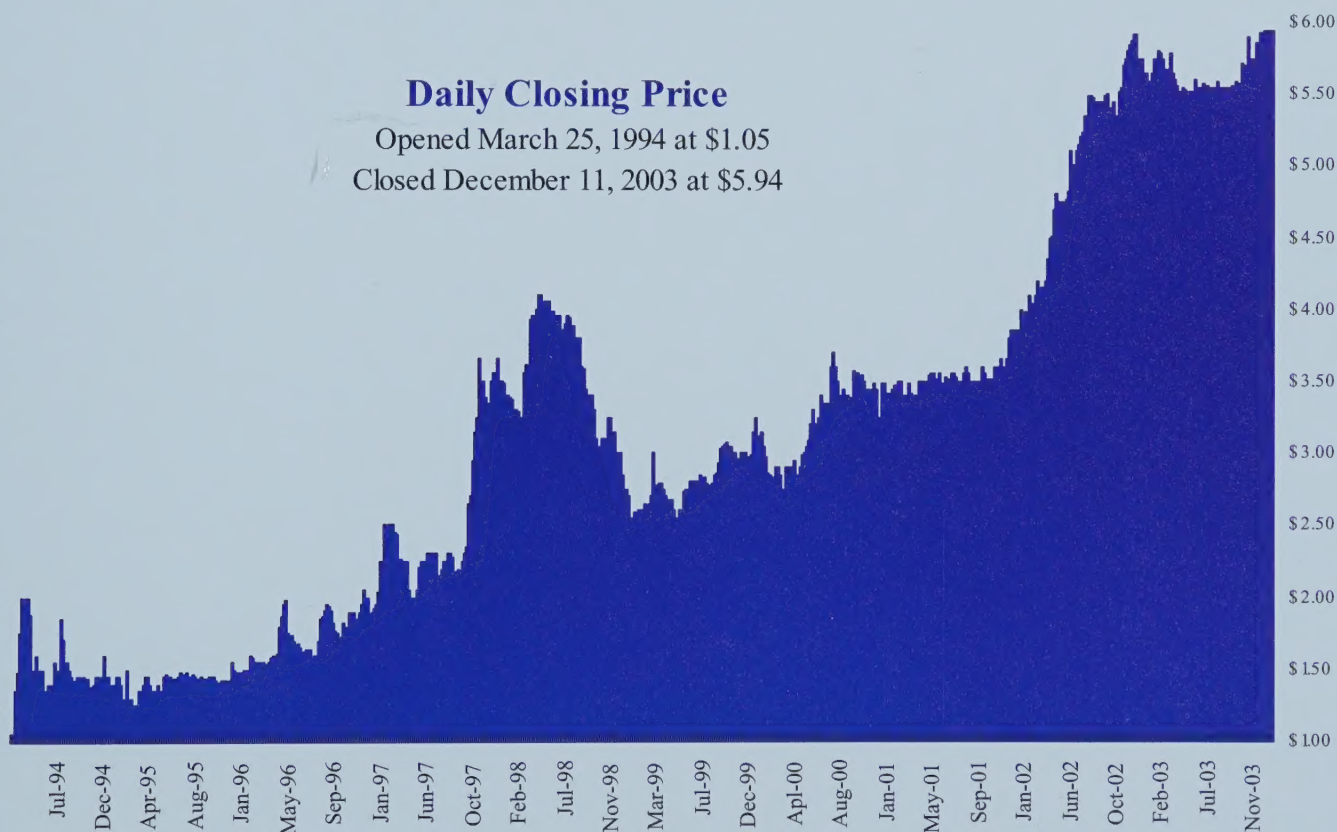
March 25, 1994 to Dec 11, 2003



Daily Closing Price

Opened March 25, 1994 at \$1.05

Closed December 11, 2003 at \$5.94



Year end Sept. 30	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
High	2.10	1.60	1.98	2.54	4.25	3.25	3.74	3.75	5.50	5.92
Low	1.05	1.10	1.37	1.70	2.45	2.35	2.70	3.00	3.48	5.20
Close	1.40	1.45	1.66	2.39	3.05	3.06	3.57	3.60	5.25	5.57
Trading Volume (000's)	1,311	867	1,927	3,015	4,134	2,274	1,092	2,800	1,836	1,321

